Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

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Thugs maul LA restaurants

by Richard Martin

LOS ANGELES — While hordes of looters, armed thugs and arsonists rampaged brazenly through much of this smoke-shrouded city, restaurateurs in the nation's busiest metropolitan foodservice market anguished over the deadly riot's staggering economic consequences.

"It's Armageddon," said Mike Stennis, as thieves carrying restaurant equipment and pans of raw chicken fled through the smashed-out windows of his family's Golden Bird restaurant, a branch of one of the city's best-known black-owned chains.

Charred ruins were all that remained for many restaurateurs, including one South Central Los Angeles business owner who relunctantly closed her franchised fast-food place after it was ventilated by bullets on the night rioting erupted. "I go home; I can't sleep; at 3 in the morning I go back, and my place is destroyed," she told a reporter, while rioters continued to plunder neighboring stores.

Backlash reaches Atlanta, San Francisco

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Scores of restaurants across the city were broken into, looted and burned during the turmoil, which was ignited by resentments over the acquittal of four white Los Angeles police officers accused in the videotaped beating of black motorist Rodney King.

"You just hurt that somebody tries to infringe on your business," said Sal Casola, whose three Pasadena restaurants were attacked during the dinner hour by carloads of bat-swinging youths. The invaders smashed plate-glass win-

*(See **LA**, page 4)*

AP/Wide World Photos

Two National Guardsmen on duty outside a burning Winchell's Donut House in L.A.

NRN Photo

Drumroll, please . . .

It's that time again: Nation's Restaurant News is inducting 10 new restaurants into the Fine Dining Hall of Fame. And the 1992 inductees are

Actuelle
Dallas

Al Forno
Providence, R.I.

Citrus
Los Angeles

D'Amico Cucina
Minneapolis

Fleur de Lys (pictured)
San Francisco

Gotham Bar & Grill
New York

Highlands Bar & Grill
Birmingham, Ala.

Roy's Restaurant
Honolulu

Saleh al Lago
Seattle

Spiaggia
Chicago

For full coverage on the 1992 Hall of Fame winners, turn to magazine between pages 58 and 59

Romano, Brinker unveil 'funky' Mexican concept

Nachomama's debuts outside San Antonio

by Robin Lee Allen

LEON SPRINGS, Texas — Restaurant creator Philip Romano, in a joint venture with Brinker International, has opened a Mexican concept here in the same fertile town that gave birth to his namesake Macaroni Grill.

The new property, named Nachomama's, is a casual, 225-seat operation featuring inexpensive country-style Mexican fare in a zany setting.

Romano, who created such concepts as Romano's Macaroni Grill, purchased by Brinker in 1989, and Fuddrucker's, now owned by DAKA International Inc., calls Nachomama's fare Mexican-Mexican.

"I just felt there were enough Tex-Mex places," he explained. "I have yet to go into a Tex-Mex restaurant and get a big hunk of pork."

Mexican pork roast, lamb shank, snapper with a sweet chili crust, rib stew, shrimp with garlic-lime-butter sauce, sausage and onions, and rotisserie chicken are among the items that set Nachomama's apart from traditional casual Mexican restaurants in the United States.

The average customer check is $13.

Brinker officials stated that it is too premature to make any comment.

The large Mexican-Ameri-

*(See **ROMANO**, page 111)*

Denver investment firm buys troubled Mr. Steak chain

by Ron Ruggless

DENVER — Vowing to reinvigorate the 30-year-old Mr. Steak, Omnivest International, an investment firm based here, has acquired the financially troubled family steak-house chain through a Denver bankruptcy court.

Omnivest International bid $140,000 for the assets of Mr. Steak's owner, Jamco Ltd., and agreed to assume liabilities of about $260,000.

Jamco Ltd. has been in Chapter 11 for nearly five years. With the closing of the Omnivest transaction, Jamco is expected to enter Chapter 7 bankruptcy.

At its peak in the early 1980s, Mr. Steak owned and franchised 300 units nationwide. Today that number has shrunk to 57 stores in 23 states.

The Mr. Steak acquisition marks the first restaurant venture for the privately held financial services company, whose holdings include a pro-

*(See **MR. STEAK**, page 110)*

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NEWS BRIEFS

Santa Cruz passes anti-discriminatory 'looks law'

SANTA CRUZ, Calif. — The city council here, on a 5-2 vote, has adopted a sweeping ordinance that prohibits employment or housing discrimination on the basis of "physical characteristics" and sexual orientation but which does not block employers from establishing standards for grooming and dress.

As originally drafted, the so-called looks law drew opposition from the local and national business community. Employers in Santa Cruz and across the country and newspaper editorial writers criticized the measure for its perceived interference with the right of business owners to set grooming and dress standards. No business groups publicly opposed the rewritten ordinance adopted late last month.

"Discrimination on the basis of 'personal appearance' is now [written as] discrimination against 'physical characteristics,' which means characteristics that people can't control, or were born with or were the result of an accident," Santa Cruz city attorney John Barisone said of the ordinance adopted. "For example, hair color, jewelry and things of that nature are not covered anymore."

While business groups did not speak out against the measure before the vote, several religious groups did, citing concerns about the protection of "sexual orientation" and the "legislation of morality." Barisone said the sexual orientation clause of the ordinance makes it an infraction to discriminate against a person on the basis of "assumed or known heterosexuality, homosexuality or bisexuality."

People cited under the ordinance are subject to a $100 fine and subject to civil action that could require that they undergo mediation with their accuser. Both parties would split the cost of mediation, Barisone said.

Little Caesars franchisees meet to air grievances over K mart deal

CHICAGO — A group of Little Caesars franchisees meeting here recently said they are worried that the Detroit-based pizza chain's agreement to open hundreds of units in K mart stores nationwide will cannibalize their business.

Larry Klenda, an attorney for a number of franchisees operating a total of 400 to 500 units, said the group is hoping Little Caesars executives will be willing to discuss the issue of allowing K mart to open the in-store pizza shops in areas that are already franchised.

"The franchisees believe that the time has come to take a significant position in the matter of K mart being made a franchisee in existing franchised territories," Klenda said.

About a year ago K mart signed an agreement to put Little Caesars in 400 of the chain's 2,300 stores. Long-range plans called for a 1,200-store penetration in five years. The deal would make K mart Little Caesars' largest franchisee.

To date, K mart operates about 200 Little Caesars Pizza Stations, the discount store's name for the restaurants.

McDonald's plans Leaps and Bounds expansion

OAK BROOK, Ill. — McDonald's said it plans to build 15 new indoor playgrounds over the next 12 months as part of its experiment to test the play center concept, Leaps and Bounds.

The expansion of Leaps and Bounds comes nine months after what the company called a "very successful" test.

Charles Ebeling, a McDonald's spokesman, said Leaps and Bounds is not a diversification of the company but builds upon what the hamburger giant had learned from managing play areas at 3,000 units.

Leaps and Bounds play centers carry a $4.95 entry fee for each child, but there is no charge for parents. The play center offers snacks, such as popcorn, and soft drinks.

Illinois mulls higher alcohol tax

SPRINGFIELD, Ill. — Illinois Gov. Jim Edgar's proposal to triple the alcohol gallonage tax on beer and wine and increase the distilled spirits tax by 70 percent has met with opposition from the Illinois Restaurant Association and other groups.

The proposal would increase the tax on a gallon of beer from seven cents to 23 cents; on wine, from 23 cents to 67 cents; and on distilled products, from $2 to $3.41. The increases would place Illinois at a competitive disadvantage with five surrounding states, according to the association.

The plan would be on top of the federal liquor tax increase effective since January 1991, which increased the tax on wine 530 percent and on beer 100 percent in Illinois.

KFC opens first unit in Paris

PARIS — Kentucky Fried Chicken has opened its first unit here — the second in France.

Children were given stick-on goatee "beards" and string ties to celebrate the grand opening of the new $5 million, 230-seat restaurant. Located in the Les Halles district of Paris, the French menu includes Original Recipe Chicken, Hot & Spicy chicken, Kentucky nuggets dipped in Béarnaise sauce, three salads, sorbet and chocolate mousse.

Ho-Lee-Chow signs Ohio expansion deal

ANN ARBOR, Mich. — Olivier Holdings Inc., a Cleveland-based company, has signed an agreement with Ho-Lee-Chow to open 80 units of the fast-food Chinese delivery concept throughout Ohio in the next 12 years.

The first unit is expected to open next month in Cleveland, followed by a second store and the first unit in Columbus, Ohio.

"This agreement helps immensely with our focus on growth in the Midwest region," said Tom Burnham, the president of Ho-Lee-Chow Inc.

"It puts our chain right on schedule with respect to our short-term Midwest development plans and ahead of schedule with our long-term Midwest plans," Burnham added.

Since its beginning less than a year ago, Ho-Lee-Chow has grown to over 196 stores in eight states and four countries.

Canteen Corp. wins U.S. Library of Congress contract

WASHINGTON — Canteen Corp., the giant contract feeding subsidiary of TW Services, has won a contract to operate the foodservice at the U.S. Library of Congress.

Canteen began managing all aspects of the foodservice, consisting of three dining centers, five vending locations and catering services. Catering services are provided for the Library of Congress employees, the librarian, senators and members of Congress.

The employee and visitor dining centers, located in the James Madison Building, include a 700-seat main cafeteria with 12 points of service, open for breakfast and lunch; a basement dining room open six days per week, with eight foodservice areas and seating for 65; and the Montpelier room, featuring a full-service buffet and seating for 956.

The Library of Congress, located across the street from the nation's Capitol, is the world's largest library. It employs a total of 4,500 people and attracts hundreds of visitors and guests each day.

Ponderosa taps Barber, Petska as new VPs

DAYTON, Ohio — Ponderosa, the 800-unit budget steak house chain based here, has named Douglas E. Barber senior vice president of operations and Robert V. Petska senior vice president of quality and standards — a newly created position.

A 13-year veteran of Ponderosa, Barber initially came on board as a manager-in-training. He most recently had been a Ponderosa regional vice president based in Columbus, Ohio. Barber succeeds Vince Notaro.

Petska, who joined the chain in 1972, served as its operations supervisor in the United Kingdom and, later, as a regional vice president based in Milwaukee.

NEWS

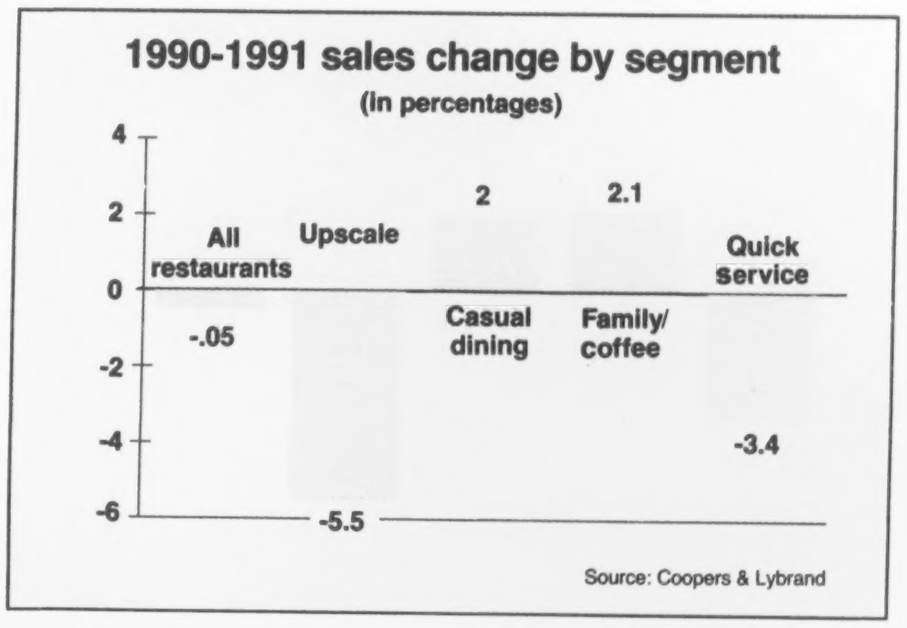
Study: Upscale, quick-serve operators suffer wrath of lingering recession

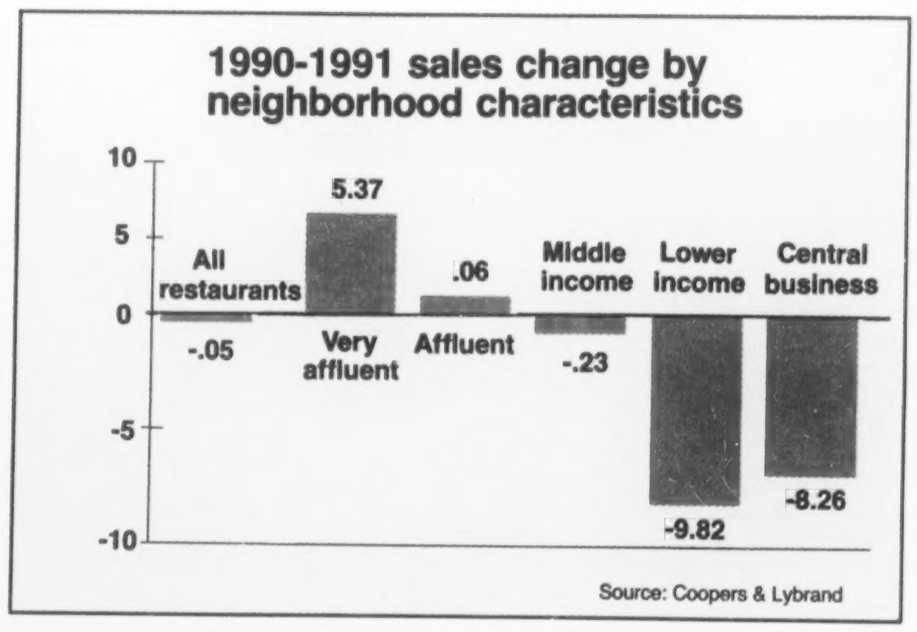
by Richard Martin

LOS ANGELES — The recession has tortured California's upscale and quick-serve restaurants more than its family and casual-theme concepts, according to a new study that analyzed 1991 sales trends in the state's $25 billion eating and drinking industry.

Geographically, restaurants in central business districts and lower-income neighborhoods last year took the worst drubbings from the state's economic downturn, the report indicated. It also noted that only eateries in extremely affluent neighborhoods scored real sales gains, averaging 5.4 percent, while those in affluent and middle-income areas were flat.

In terms of price-determined segments, California's family restaurants fared best in the study by posting an average 2.1-percent nominal increase in sales over 1990 levels. However, none of the industry's four price categories — including upscale, casual and quick-serve — managed to record real growth by exceeding last year's 3-percent Western U.S. Consumer Price Index, the statewide study by Coopers & Lybrand, a Los Angeles-based accounting and consulting firm, said.





The worst results scored in the study were by upscale restaurants with average tabs exceeding $20, whose sales plummeted 5.5 percent last year.

"The industry as a whole is not keeping pace with the CPI; there were real sales losses" throughout California, said analyst Bob Patterson, the report's editor.

The accounting firm's California Restaurant Trends report, based on same-store input retrieved this year from 300 independent and chain restaurants representing 31 different concepts, also confirmed that price eclipsed value last year as a determining factor in consumers' decisions about where to spend their away-from-home-eating budgets.

"Price, as opposed to price-value, appears to be real important," said Patterson, noting that lower-priced concepts within the respective segments fared better than rivals whose prices and connotations of quality were higher.

Among the chain and independent concepts measured were the Palm, Trader Vic's, Cheesecake Factory, Tony Roma's, Islands, Denny's, Johnny Rockets, Jack in the Box and Panda Express.

In polling the restaurants for data, Coopers & Lybrand quizzed chain leaders about their outlooks for an economic recovery in California, where the recession hit late but with a vengeance that is reflected in last month's 9.9-percent unemployment rate in Los Angeles County, home to the nation's largest metropolitan foodservice market.

"We feel that the first half of 1992 will show a continuation in revenue decline at the same rate as 1991," said Didier Peyron, president of Trader Vic's. "Only heavy price-value promotions will help to slow the decline. Overall in 1992 we will see a flat year compared to 1991."

Ken Rimer, president of Tony Roma's, was more terse in his assessment: "I'm not planning on the economy recovering."

Coopers & Lybrand's Patterson, pointing to its study, explained that the 3.4-percent year-to-year dip among quick-serve operations was the result of the "pervasive discounting and value pricing of menus taking place" in the fast-food segment.

Otherwise, the "trading down" syndrome expected to result from consumers' recessionary jitters was manifested in the study's results — particularly in the 5.5-point tumble by the highest-priced operations.

In terms of location, sales at eating places in lower-income areas were off 9.8 percent last year while operations in central businesses districts — primarily upscale concepts — fell 8.3 percent from their 1990 levels, the report said.

Restaurateurs who contributed data to the study said that they aren not overly optimistic about the prospects for 1992.

"I'm looking for sales growth, but probably at the expense of someone else, rather than more people eating out," Fred Thimm, chief operating officer of the Palm restaurants, was quoted as saying.

The New York-based Palm chain, which has a California branch in West Hollywood, was included in the report along with such other upscale concepts as Ocean Avenue Seafood in Santa Monica, the Parkway Grill in Pasadena and Trader Vic's units in San Francisco and Beverly Hills. Restaurants in the study's upscale group, defined by $20-plus per-person dinner tabs, had average per-unit sales of $2.9 million in 1991.

The examined casual-dining concepts, defined as having full bar operations and dinner tabs in the $8-to-$20 range, included the state's Tony Roma's outlets and the Southern California-based Cheesecake Factory, Chin Chin, Crocodile Cafe, El Cholo and Islands restaurants. The group's per-unit

*(See **STUDY**, page 88)*

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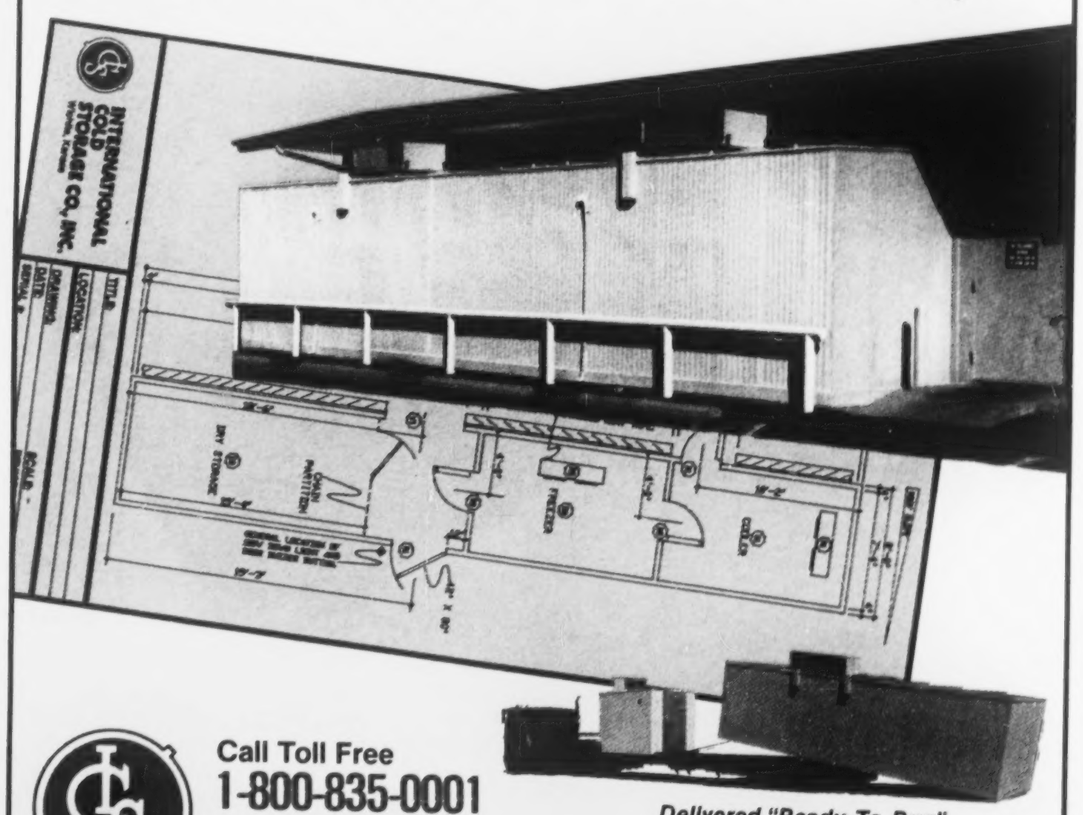

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NEWS

Study: Upscale, quick-serve segments suffer recession's wrath

(Continued from page 86)
sales average was $3 million last year.

Defined by dinner tabs in the $4-to-$12 range and per-unit sales averaging $1.6 million, the family-segment outfits studied by Coopers & Lybrand included the International House of Pancakes, Denny's, Johnny Rockets and Emil Villa's chains.

Among the quick-service outfits in the study were Wienerschnitzel, El Pollo Loco, Jack in the Box, Popeyes, Church's and Panda Express. The group's per-unit sales averaged $700,000.

Casual dining operations examined in the report failed to live up to that full-service segment's upbeat reputation, posting sales increases of only 2 percent despite the next-higher-priced upscale group's 5.5-point annual decline. Still, the casual segment's performance was just slightly behind the nominal gain scored by family restaurants, whose front-running results are of particular interest because of coffee shops' buffeting for years between the presumably more dynamic casual and quick-serve categories.

Data from larger chains in the respective segments were limited to 10 restaurants in each area of the state so that no single company's results would distort the overall average, Patterson said.

Extrapolated to the entire 60,000-restaurant California industry, the report's findings suggest that little distinction exists between sales performances of businesses in the state's Northern and Southern sections. Statewide, all restaurants in the study posted a 0.05-percent sales decline last year, with Northern California operations up 0.31 percent and those in the south off by 0.15 percent.

In addition to obtaining financial results, the accounting firm detected several emerging trends from its contact with the chains studied. Hotel companies, the report said, are increasingly under bottom-line pressure to seek the aid of outside restaurant firms in operating specialty restaurants or even in taking over a hotel's entire food and beverage department.

Additionally, a trend toward upscale franchising, in which established restaurant companies become franchisees of other restaurant concerns, is more prevalent, the report suggested. "Today, many successful restaurant companies are considering becoming franchisees as a way to add an additional concept without the long lead time and risk of developing their own," the study said.

As an example of the trend, Patterson cited the recently inked territorial franchise pact between Chart House and the Islands gourmet-burger chain in which the dinner-house company became an Islands franchisee.

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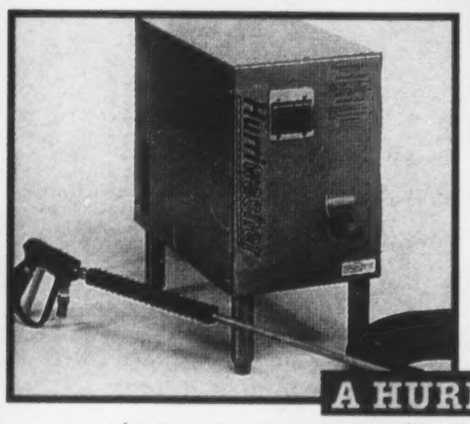

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The 'stars' come out at The Warwick Bar

Walter Jakobitsch, general manager of The Warwick in New York City, stands before the hotel's "Celebrity Corner" in The Warwick Bar. The Warwick is celebrating its 65th anniversary this year by unveiling its Celebrity Corner — a photo tribute to the many stars of stage, screen and music who have called The Warwick "home" over the years.

Velis exits Friendly's after 13 years of service

WILBRAHAM, Mass. — Jim Velis, who headed the public-affairs department for Friendly's for 13 years, has left the 800-unit family restaurant chain to pursue personal business interests.

"Friendly's is just a great company, but I've reached the point where I want to go out and do some things by myself," Velis explained.

He noted that he is currently teaching a continuing education course in public relations at a local college and plans to remain in public relations on a consulting basis.

A successor has not been named.